

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clinton Macomb Public Library	County Macomb
Fiscal Year End November 30, 2007	Opinion Date February 21, 2008	Date Audit Report Submitted to State April 11, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

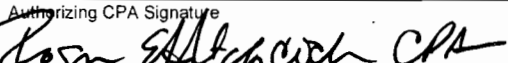
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik P.L.C.		Telephone Number 248-340-6050	
Street Address 3201 University Drive Suite 350		City Auburn Hills	State MI
		Zip 48326	
Authorizing CPA Signature 	Printed Name Roger E. Hitchcock		License Number 11001014461

Audited Financial Statements

Clinton-Macomb Public Library

*Year ended November 30, 2007
with Report of Independent Auditors*

Clinton-Macomb Public Library

Audited Financial Statements

Year Ended November 30, 2007

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ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

To the Board of Trustees
Clinton-Macomb Public Library
Clinton Township, Michigan

We have audited the basic financial statements of the Clinton-Macomb Public Library (the "Library") as of and for the year ended November 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Clinton-Macomb Public Library as of November 30, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Clinton-Macomb Public Library. The information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Library has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
February 21, 2008

Clinton-Macomb Public Library

Balance Sheet / Statement of Net Assets November 30, 2007

	Governmental Funds - Modified Accrual Basis			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Total		
Assets:					
Cash and cash equivalents	\$ 1,889,623	\$ 1,289	\$ 1,890,912	\$ -	\$ 1,890,912
Library store inventory	24,416	-	24,416	-	24,416
Bond issue costs, net of amortization	26,883	-	26,883	-	26,883
Prepaid expenses	27,202	-	27,202	-	27,202
Interest and taxes receivable	17,171	-	17,171	-	17,171
Fixed assets, net of accumulated depreciation	-	-	-	17,096,725	17,096,725
Total assets	<u>\$ 1,985,295</u>	<u>\$ 1,289</u>	<u>\$ 1,986,584</u>	<u>17,096,725</u>	<u>19,083,309</u>
Liabilities:					
Trade accounts payable	\$ 61,396	\$ -	\$ 61,396	-	61,396
Accrued wages	81,290	-	81,290	-	81,290
Accrued payroll taxes	4,867	-	4,867	-	4,867
Pension contribution payable	6,300	-	6,300	-	6,300
Other liabilities	9,140	-	9,140	-	9,140
Accrued interest payable	-	-	-	109,603	109,603
Bonds payable, due within one year	-	-	-	400,000	400,000
Bonds payable, due after one year	-	-	-	14,498,458	14,498,458
Compensated absences	-	-	-	151,643	151,643
Total liabilities	<u>162,993</u>	<u>-</u>	<u>162,993</u>	<u>15,159,704</u>	<u>15,322,697</u>
Fund Balances and Net Assets:					
Fund balance - reserved for debt service	-	1,289	1,289	(1,289)	-
Fund balance - unreserved and undesignated	<u>1,822,302</u>	<u>-</u>	<u>1,822,302</u>	<u>(1,822,302)</u>	<u>-</u>
Total fund balances	<u>1,822,302</u>	<u>1,289</u>	<u>1,823,591</u>	<u>(1,823,591)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,985,295</u>	<u>\$ 1,289</u>	<u>\$ 1,986,584</u>		
Net Assets:					
Invested in capital assets, net of related debt				2,198,267	2,198,267
Restricted for debt service payments				1,289	1,289
Unrestricted				<u>1,561,056</u>	<u>1,561,056</u>
Total net assets				<u>\$ 3,760,612</u>	<u>\$ 3,760,612</u>

See accompanying notes to the basic financial statements.

Clinton-Macomb Public Library

Statement of Revenues, Expenditures, and
Changes in Fund Balance / Statement of Activities
For the year ended November 30, 2007

	Governmental Funds - Modified Accrual Basis				Statement of
	General Fund	Debt Service Fund	Total	Adjustments	Activities
Revenues:					
Property taxes	\$ 5,442,303	\$ -	\$ 5,442,303	\$ -	\$ 5,442,303
Intergovernmental - State Aid	111,876	-	111,876	-	111,876
Penal fines	150,671	-	150,671	-	150,671
Library fines and fees	209,039	-	209,039	-	209,039
Library store	33,351	-	33,351	-	33,351
Interest	169,543	667	170,210	-	170,210
Contributions and donations	44,947	-	44,947	-	44,947
Loss on disposal of fixed assets	-	-	-	(5,611)	(5,611)
Miscellaneous	53,665	-	53,665	-	53,665
Total revenues	6,215,395	667	6,216,062	(5,611)	6,210,451
Expenditures:					
General government:					
Salaries and wages	2,175,824	-	2,175,824	9,967	2,185,791
Employee benefits	565,265	-	565,265	-	565,265
Operating supplies	104,481	-	104,481	-	104,481
Voice and data services	66,141	-	66,141	-	66,141
Library store	20,146	-	20,146	-	20,146
Miscellaneous	7,691	-	7,691	-	7,691
Insurance	30,038	-	30,038	-	30,038
Contract maintenance	69,010	-	69,010	-	69,010
Facilities maintenance	305,909	-	305,909	38,522	344,431
Utilities	246,014	-	246,014	-	246,014
Rent	314,965	-	314,965	-	314,965
Programs - youth and adult	21,909	-	21,909	-	21,909
Periodicals	18,350	-	18,350	-	18,350
Electronic subscriptions	139,159	-	139,159	-	139,159
Conferences, workshops and travel	46,202	-	46,202	-	46,202
Professional fees	96,149	-	96,149	-	96,149
Publicity	68,686	-	68,686	-	68,686
Capital outlay:					
Library books and materials	498,740	-	498,740	(498,740)	-
Capital outlay	186,514	-	186,514	(115,292)	71,222
Depreciation	-	-	-	2,073,180	2,073,180
Debt service:					
Principal	-	400,000	400,000	(400,000)	-
Interest and fiscal charges	-	665,418	665,418	66,900	732,318
Total expenditures	4,981,193	1,065,418	6,046,611	1,174,537	7,221,148
Excess (deficiency) of revenues over expenditures / change in net assets	1,234,202	(1,064,751)	169,451	(1,180,148)	(1,010,697)
Other financing sources (uses)					
Operating transfers in	-	1,065,418	1,065,418	(1,065,418)	-
Operating transfers out	(1,065,418)	-	(1,065,418)	1,065,418	-
Total other financing sources (uses)	(1,065,418)	1,065,418	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses / change in net assets	168,784	667	169,451	(1,180,148)	(1,010,697)
Fund balance / net assets - beginning of year	1,653,518	622	1,654,140	3,117,169	4,771,309
Fund balance / net assets - end of year	\$ 1,822,302	\$ 1,289	\$ 1,823,591	\$ 1,937,021	\$ 3,760,612

See accompanying notes to the basic financial statements.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2007

1. Summary of Significant Accounting Policies

Introduction

The Clinton-Macomb Public Library (the “Library”) complies with accounting principles generally accepted in the United States of America as applicable to governmental units.

The Library’s significant accounting policies are described below.

Financial Reporting Entity

The Clinton-Macomb Public Library was organized by the Charter Township of Clinton and Chippewa Valley Schools and began operations May 1, 1992. The District Library agreement was amended on May 12, 1997 to include Macomb Township as a participating municipality. Subsequent to Macomb Township joining Clinton Township as a participating municipality of the Clinton-Chippewa Valley District Library, in May 1997, the name of the district library was changed to Clinton-Macomb Public Library. The Library operates under the authority of the Michigan District Library Establishment Act, Public Act 24 of 1989, as amended, and is governed by an eight-member appointed Board of Trustees. It provides resources for the informational, educational, cultural, and recreational needs of its patrons.

In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in the accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of those criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library’s Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting of the Library conforms to accounting principles generally accepted in the United States of America as applicable to governmental units.

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Library's net assets are reported in three components – invested in capital assets, net of related debt; restricted for debt service payments; and unrestricted net assets.

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. Governmental funds are used to account for all or most of the Library's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both "measurable and available"). Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest and special assessments are susceptible to accrual. Other revenues become measurable and available when cash is received by the Library and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports the following major governmental funds:

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions, grants, and other intergovernmental revenues.

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Debt Service Fund

This fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the Library. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to the future fiscal year and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15-30 years
Buildings	30 years
Building components	10-30 years
Building and leasehold improvements	7-30 years
Furniture and equipment	5-15 years
Library materials	5-7 years

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, if applicable, as well as issuance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the bonds. Long-term debt is shown net of the related bond reacquisition costs, which are deferred and amortized over the life of the outstanding bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the current period. The face amount of debt issued is reported as other financing sources in the statement of governmental fund revenues, expenditures, and changes in fund balance.

Employee Vacation and Sick Leave (Compensated Absences)

Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. Accruals for these liabilities are recorded as earned by employees and reported in the government-wide financial statements.

Fund Equity

In the fund financial statements, the unreserved fund balances represent the amount available for budgeting future operations. Designations of unreserved fund balances in governmental funds indicate tentative plans for use of financial resources in a future period.

Use of Estimates

The process of preparing general-purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Cash and Cash Equivalent Deposits

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan associations or credit unions, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Notes to the Basic Financial Statements (continued)

2. Cash and Cash Equivalent Deposits (continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Cash deposits and investments (certificates of deposit with maturities less than 90 days and money market funds) are carried at cost. Cash deposits and certificates of deposit of the Library are in the name of the Library at various banks.

At November 30, 2007, the Library had nine depository accounts. The book value of the Library's bank deposits, consisting of two non-interest bearing checking accounts, five interest bearing money market accounts, one investment sweep account, and one certificate of deposit was \$1,889,412. Of the bank balance, \$509,087 was covered by Federal Depository Insurance, and \$1,469,296 was uninsured and uncollateralized; therefore subjecting the Library to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be recovered. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

<u>Depository Accounts</u>	<u>Bank Balance</u>
Insured	\$ 509,087
Uninsured and uncollateralized	1,469,296
Total	<u>1,978,383</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a deposit policy for custodial credit risk of investments. The Library minimizes its risks by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which it does business using the criteria established in the Investment Policy.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy minimizes interest rate risk by designing the portfolio with the objective of attaining a rate of return throughout the budgetary and economic cycles commensurate with the Library's investment risk constraints and the cash flow characteristics of the portfolio.

Notes to the Basic Financial Statements (continued)

2. Cash and Cash Equivalent Deposits (continued)

Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Library's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for credit risk. The Library also has the following investment policies further limiting its investment choices:

- Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- Repurchase agreements consisting of instruments listed above.
- Certificates of deposits and deposit accounts from financial institutions that maintain a principal office or branch office within the State of Michigan.
- Commercial paper rated A1P1 at the time of purchase maturing not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940, maintain a \$1.00 per share net asset value and with authority to purchase only investment vehicles that are legal for direct investment by municipal entities under Public Act 20 of 1943 (as amended).
- Investment pools organized under the surplus funds Investment Pool Act, Public Act 367 of 1982.
- Investment pools organized through an interlocal agreement under the Urban Cooperation Act of 1967.

Certificates of deposit are not rated however; the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Library's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. To limit its exposure to concentration of credit risk, the Library's investment policy limits its investment choices by maturity dates, individual financial institutions or specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Investments in mutual funds, external investment pools and other pooled investments are excluded from concentration of credit risk disclosures.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements (continued)

2. Cash and Cash Equivalent Deposits (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Library's policy prohibit investment or deposit in foreign currency.

3. Fixed Assets

A summary of fixed asset activity of the Library is as follows:

	Balance 12/1/2006	Additions	Disposals	Balance 11/30/2007
Capital assets not being depreciated:				
Land	\$ 512,000	\$ -	\$ -	\$ 512,000
Total assets not being depreciated	512,000	-	-	512,000
Capital assets being depreciated:				
Land improvements	1,414,008	-	-	1,414,008
Buildings and improvements	14,374,470	28,800	-	14,403,270
Leasehold improvements	1,734,346	-	-	1,734,346
Furniture and fixtures	2,161,323	13,105	(3,800)	2,170,628
Equipment	2,305,824	73,387	(36,086)	2,343,125
Library books and materials	4,473,400	498,740	(1,683,152)	3,288,988
Total capital assets being depreciated	26,463,371	614,032	(1,723,038)	25,354,365
Accumulated depreciation	(8,413,887)	(2,073,180)	1,717,427	(8,769,640)
Net capital assets being depreciated	18,049,484	(1,459,148)	(5,611)	16,584,725
Total net capital assets	\$ 18,561,484	\$ (1,459,148)	\$ (5,611)	\$ 17,096,725

4. Long-Term Debt

The Library issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences, which is the liability to employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation based on length and amount of service with the Library.

Notes to the Basic Financial Statements (continued)

4. Long-Term Debt (continued)**Refunded Bonds**

On June 28, 2006, the Library issued \$9.8 million in limited tax general obligation refunding bonds with interest rates ranging between 3.75% and 4.20%. The Library issued the bonds to advance refund \$9.1 million of the outstanding series 2002 limited tax general obligation bonds with an interest rate of 5.00%. The Library used the net proceeds of the bonds to purchase United States government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002 series bonds. As a result, that portion of the 2002 series bonds is considered defeased. Accordingly, the Library has removed the liability from its accounts.

The outstanding principal of the defeased bonds is \$9,100,000 at November 30, 2007. The defeased bonds will be redeemed on April 1, 2011 by the escrow agent.

The advance refunding reduced total debt service payments over the next 20 years by \$445,228. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$398,923.

The following is a summary of governmental long-term obligations of the Library for the year ended November 30, 2007.

	Compensated Absences	Bonds	Total
Balance – December 1, 2006	\$ 141,676	\$ 15,895,000	\$ 16,036,676
Additions	9,967	–	9,967
Retirements and payments	–	(400,000)	(400,000)
Balance – November 30, 2007	151,643	15,495,000	15,646,643
Less: current portion	–	(400,000)	(400,000)
Less: unamortized bond reacquisition costs	–	(596,542)	(596,542)
Total due after one year	<u>\$ 151,643</u>	<u>\$ 14,498,458</u>	<u>\$ 14,650,101</u>

Bonds payable at November 30, 2007 are comprised of the following issues:

2006 Refunding Bonds (Limited Tax General Obligation) dated June 28, 2006, due in annual installments of principal ranging from \$20,000 to \$1,115,000 plus accrued interest, at rates ranging from 3.75% to 4.20% through April 1, 2027.	\$ 9,795,000
2002 Library Building and Site Bonds (Limited Tax General Obligation), dated March 1, 2002, due in annual installments of principal ranging from \$400,000 to \$700,000 plus accrued interest, at rates ranging from 3.9% to 5.00% through April 1, 2017.	5,700,000
Total bonds payable	<u>\$ 15,495,000</u>

Notes to the Basic Financial Statements (continued)

4. Long-Term Debt (continued)

The annual requirements to service the outstanding debt to maturity (excluding compensated absences) are as follows:

Fiscal Year Ending	Principal	Interest	Total
2008	\$ 400,000	\$ 649,617	\$ 1,049,617
2009	500,000	631,118	1,131,118
2010	500,000	609,867	1,109,867
2011	500,000	588,117	1,088,117
2012-2016	3,350,000	2,512,116	5,862,116
2017-2021	4,090,000	1,693,969	5,783,969
2022-2027	6,155,000	793,916	6,948,916
Total	<u>\$ 15,495,000</u>	<u>\$ 7,478,720</u>	<u>\$ 22,973,720</u>

Interest expenditures for all long-term debt for the year ended November 30, 2007 total \$665,418.

5. Operating Leases

The Library entered into a 10-year non-cancelable operating lease dated May 3, 1999, for the rental of land and buildings located in the Charter Township of Clinton (South Branch). The lease requires monthly payments of \$7,496, with annual adjustments based upon the Consumer Price Index – United States. The lease carries a renewal option for two additional five-year periods. The lease requires the Library to pay for utilities and insurance.

The Library entered into a 10-year non-cancelable operating lease dated August 11, 2000, for the rental of land and buildings located in Macomb Township (North Branch). The lease requires monthly payments of \$15,189 during the first five years and \$17,476 during the second five years. The lease requires the Library to pay for utilities and insurance.

Future minimum rental payments for each of the succeeding four fiscal years are as follows:

2008	303,703
2009	297,103
2010	209,718
2011	52,429

Rent expenditures related with these agreements for the year ended November 30, 2007 total \$314,965.

Notes to the Basic Financial Statements (continued)

6. Retirement Programs

Defined Contribution Plan

The Clinton-Macomb Public Library Employee Money Purchase Plan is a defined contribution plan pursuant to Section 414(h) of the Internal Revenue Code, established by the Library to provide benefits at retirement to eligible employees. The plan is administered by Nationwide Retirement Solutions. The Library is required to contribute 10% of annual compensation to the plan. The Library contributed \$163,866 to the plan for the year ended November 30, 2007.

Deferred Compensation Plan

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. There are no employer contributions required by the plan. During the year ended June 30, 1997, the law was changed to allow trusts to be created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The Library's plan administrator, Nationwide Retirement Solutions, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not reported in the Library's financial statements to properly reflect that the Library does not have any fiduciary or administrative responsibility for the plan.

7. Property Taxes

Property taxes are levied every December 1 on the taxable valuation of property as of the preceding May 1. Taxes are due by February 14 of the following year.

The Library's 2007 ad valorem tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended November 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Library District totaled \$6.024 billion, on which ad valorem taxes levied consisted of .8961 mills for operating purposes. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days of year-end, which are recognized as revenue as of November 30.

8. Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund and the Debt Service Fund. All annual appropriations lapse at the fiscal year end. The appropriated budgets of the General Fund and Debt Service Fund are prepared on a detailed line-item basis. The Library does not maintain a formalized encumbrance accounting system. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

Notes to the Basic Financial Statements (continued)

8. Stewardship, Compliance, and Accountability (continued)

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the August Board meeting, the Library Director submits to the Finance and Audit Committee, a proposed operating budget for the fiscal year commencing the following December 1. In August, the Finance and Audit Committee submit the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board resolution prior to September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Library's annual board meeting to obtain taxpayer comments.
3. Prior to December 1, the budget is legally adopted by a Library Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year, when necessary to adjust appropriations, if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the budgetary comparison schedule (accounting principles generally accepted in the United States of America) – General Fund and Debt Service Fund.
4. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
5. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to November 30.

Excess Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a fund, functional, and line-item basis.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements (continued)

8. Stewardship, Compliance, and Accountability (continued)

During the year ended November 30, 2007, the Library incurred expenditures in excess of the amounts appropriated as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Variance
General Fund:			
Salaries and wages	\$ 2,141,100	\$ 2,175,824	\$ 34,724
Operating supplies	96,100	104,481	8,381
Insurance	30,000	30,038	38
Facilities maintenance	279,300	305,909	26,609
Rent	300,200	314,965	14,765
Electronic subscriptions	120,000	139,159	19,159
Publicity	67,600	68,686	1,086
Equipment	160,800	186,514	25,714
Operating transfers out	1,065,400	1,065,418	18
Debt Service Fund:			
Interest and fiscal charges	665,400	665,418	18

9. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Library carries commercial insurance for claims related to these losses. The Library also carries commercial insurance for other risks of loss, including employee health and accident insurance.

The Clinton-Macomb Public Library Board of Trustees has approved a self-insurance plan for the Library with regard to short-term disability insurance and unemployment compensation. At November 30, 2007, the short-term disability insurance plan and the unemployment compensation plan were appropriated \$48,000.

Notes to the Basic Financial Statements (continued)

10. Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental funds differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified Accrual Basis	\$ 1,823,591
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	17,096,725
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(14,898,458)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the fund	(109,603)
Compensated absences are included as a liability	(151,643)
Net Assets – Full Accrual Basis	<u>\$ 3,760,612</u>
 Net Change in Fund Balance – Modified Accrual Basis	 \$ 169,451
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	614,032
Depreciation	(2,073,180)
Loss on sale of fixed assets	(5,611)
Portion of vendor credit applied against expenditures	(38,522)
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements	(9,967)
Amortization of the deferred charge on the refunding bonds is reported as an expenditure in the statement of activities but not in the fund statements	(69,500)
Decrease in accrued interest reported as an expenditure in the statement of activities but not in the fund statements	2,600
Repayments of bond principal are reported as an expenditure in the fund statements but not in the statement of activities (where it reduces long-term debt)	400,000
Net Change in Net Assets – Full Accrual Basis	<u>\$ (1,010,697)</u>

Required Supplementary Information

Clinton-Macomb Public Library

Budgetary Comparison Schedule Year ended November 30, 2007

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 5,427,700	\$ 5,441,800	\$ 5,442,303	\$ 503
Intergovernmental - State Aid	101,600	111,800	111,876	76
Penal fines	150,000	150,600	150,671	71
Library fines and fees	185,000	210,300	209,039	(1,261)
Library store	36,000	31,500	33,351	1,851
Interest	85,000	170,000	169,543	(457)
Contributions and donations	23,500	42,700	44,947	2,247
Miscellaneous	51,300	42,400	53,665	11,265
Total revenues	6,060,100	6,201,100	6,215,395	14,295
Expenditures:				
General government:				
Salaries and wages	2,177,200	2,141,100	2,175,824	(34,724)
Employee benefits	604,100	598,000	565,265	32,735
Operating supplies	91,400	96,100	104,481	(8,381)
Voice and data services	73,400	67,400	66,141	1,259
Library store	22,800	20,300	20,146	154
Miscellaneous	14,100	14,600	7,691	6,909
Insurance	28,800	30,000	30,038	(38)
Contract maintenance	59,900	114,000	69,010	44,990
Facilities maintenance	311,300	279,300	305,909	(26,609)
Utilities	259,400	262,200	246,014	16,186
Rent	304,100	300,200	314,965	(14,765)
Programs - youth and adult	20,000	23,900	21,909	1,991
Periodicals	20,000	19,400	18,350	1,050
Electronic subscriptions	120,000	120,000	139,159	(19,159)
Conferences, workshops and travel	48,400	47,700	46,202	1,498
Professional fees	89,300	98,100	96,149	1,951
Publicity	68,100	67,600	68,686	(1,086)
Total general government	4,312,300	4,299,900	4,295,939	3,961
Capital outlay:				
Library books and materials	519,200	516,800	498,740	18,060
Equipment	80,700	160,800	186,514	(25,714)
Total capital outlay	599,900	677,600	685,254	(7,654)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	4,912,200	4,977,500	4,981,193	(3,693)
Excess of revenues over expenditures	1,147,900	1,223,600	1,234,202	10,602
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(1,090,100)	(1,065,400)	(1,065,418)	(18)
Total other financing sources (uses)	(1,090,100)	(1,065,400)	(1,065,418)	(18)
Excess of revenues and other sources over expenditures and other uses	57,800	158,200	168,784	10,584
Fund balance - beginning of year	1,653,518	1,653,518	1,653,518	-
Fund balance - end of year	\$ 1,711,318	\$ 1,811,718	\$ 1,822,302	\$ 10,584

Clinton-Macomb Public Library

Budgetary Comparison Schedule Year ended November 30, 2007

	Debt Service Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - State Aid	-	-	-	-
Penal fines	-	-	-	-
Library fines and fees	-	-	-	-
Library store	-	-	-	-
Interest	-	-	667	667
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	667	667
Expenditures:				
General government:				
Salaries and wages	-	-	-	-
Employee benefits	-	-	-	-
Operating supplies	-	-	-	-
Voice and data services	-	-	-	-
Library store	-	-	-	-
Miscellaneous	-	-	-	-
Insurance	-	-	-	-
Contract maintenance	-	-	-	-
Facilities maintenance	-	-	-	-
Utilities	-	-	-	-
Rent	-	-	-	-
Programs - Youth & Adult	-	-	-	-
Periodicals	-	-	-	-
Electronic subscriptions	-	-	-	-
Conferences, workshops and travel	-	-	-	-
Professional fees	-	-	-	-
Publicity	-	-	-	-
Total general government	-	-	-	-
Capital outlay:				
Library books and materials	-	-	-	-
Equipment	-	-	-	-
Total capital outlay	-	-	-	-
Debt service:				
Principal	400,000	400,000	400,000	-
Interest and fiscal charges	690,100	665,400	665,418	(18)
Total debt service	1,090,100	1,065,400	1,065,418	(18)
Total expenditures	1,090,100	1,065,400	1,065,418	(18)
Excess (deficiency) of revenues over expenditures	(1,090,100)	(1,065,400)	(1,064,751)	649
Other financing sources (uses)				
Operating transfers in	1,090,100	1,065,400	1,065,418	18
Operating transfers out	-	-	-	-
Total other financing sources (uses)	1,090,100	1,065,400	1,065,418	18
Excess of revenues and other sources over expenditures and other uses	-	-	667	667
Fund balance - beginning of year	622	622	622	-
Fund balance - end of year	\$ 622	\$ 622	\$ 1,289	\$ 667

Report to the Board of Trustees

Clinton-Macomb Public Library

February 21, 2008

**Andrews Hooper & Pavlik P.L.C.
Certified Public Accountants
3201 University Drive, Suite 350
Auburn Hills, Michigan 48326**



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Board of Trustees
Clinton-Macomb Public Library
Clinton Township, Michigan

In planning and performing our audit of the financial statements of the Clinton-Macomb Public Library, (the "Library") as of and for the year ended November 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. These matters are included within this letter.

We would be pleased to discuss these matters in further detail at your convenience, to perform any study of these matters, or to assist you in implementing the recommendations.

JOURNAL ENTRIES

We noted during our audit that no one reviews journal entries prior to posting in the general ledger. Having someone review journal entries strengthens internal control by reducing the possibility for errors. We recommend that management or another bookkeeper review and initial all journal entries before they are posted in the general ledger.

* * * * *

Once again, we would like to thank the Library for its support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Library and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

Andrews Hoope & Pavlik P.L.C.